

FUNDAMENTAL PRINCIPLES AND OBJECTIVES OF
THE CENTRAL INTELLIGENCE AGENCY
COMPENSATION SYSTEM

Question 1.

GENERAL COMMENTS:

Throughout its existence, the Central Intelligence Agency has subscribed to the principle of equal pay for substantially equal work and has generally complied with the spirit and intent of Title 5 practices and procedures. Our experience has shown, however, that this is only one dimension of a compensation system. We view compensation as an important management tool for shaping the employee/employer relationship and inspiring our workforce to maintain excellence in the accomplishment of our mission. We discovered early on that monetary compensation is not the principle motivator for Agency employees; however, they are not immune to economic realities and we must now revisit our compensation practices with an eye toward resolving those problems caused by eroding federal benefits and demographic, social and economic trends which were not a factor when Title 5 was passed. The objectives outlined in the NAPA questionnaire are valid; but they cannot be considered independently, nor are they mutually exclusive. Following is a brief discussion of those objectives and how they are addressed in our existing and proposed compensation system.

INTERNAL EQUITY OBJECTIVES:

Rather than discussing the semantics of such phrases as "equal pay for substantially equal work" or "equal pay for equal value" our philosophy is more simply stated. As a general rule, we hope to provide a reasonable base pay for any given Agency occupation which is somewhat comparable to the base pay offered by our competitors for those same occupations. Our rank-in-person system allows promotion based on competition with peers without regard to the rank of the position encumbered. This system, coupled with near-peer panel evaluation, is designed to promote internal equity and is perceived as fair by Agency employees and managers. We consider this system as accommodating both equal pay for equal work and equal pay for employees of equal value. Differences in base pay rates reflect differences in difficulty and responsibility as monitored by our position classification system.

EXTERNAL EQUITY OBJECTIVES:

The General Schedule (GS) has already been modified to address market realities through the use of Special Schedules for hard to hire occupations. Had the GS kept pace with private sector comparability through more realistic legislative pay increases; and if executive compensation in the federal sector had not been politicized through a link to Congressional pay, we probably could have met our objectives in the area of external equity with no major change in Title 5 practices. The fact is that federal compensation has not kept pace with modern total compensation packages offered by the more successful private sector firms. Given the realities of the federal budget process, we believe that the solution lies with more creative total compensation packages and better incentives in order to stretch the pay and benefits funds available to our agency. To that end, we have proposed a flexible benefits program which provides employees with more options, an enhanced awards program, more flexibility in the use of annual and sick leave and greater use of special pay schedules for hard to hire occupations. We do not feel we could, or should, "beat the competition" in the area of compensation. We are confident that, if our total compensation package is at least competitive with the more successful firms, our mission will attract and retain the right quality and quantity of personnel.

WORK PERFORMANCE OBJECTIVES:

The CIA, with Congressional approval, has adopted an experimental pay system for two disciplines in our Office of Communications based on pay for performance which is similar to those systems adopted by China Lake and the Naval Ordnance Systems Command. We have also modified our performance awards program to make it more responsive and less bureaucratic. Our objective is to determine the most effective way to administer performance incentives. We will continue to analyze the results of our experimental systems and enhanced awards program before deciding on fundamental changes to the Agency system overall.

SOCIAL RESPONSIBILITY OBJECTIVES:

It goes without saying that we will comply with laws against discrimination based on race, sex, national origin, age and handicaps. The Agency has initiated and expanded many more programs to deal with minority issues than the law has required. We see no conflict in the concepts of "pay equity" and "comparable worth." Our efforts with regard to the Intelligence Secretarial System are an example of ways to enhance occupations through job enrichment, thereby acknowledging the value of an occupation predominantly populated by females, without injury to pay equity. We plan to explore similar approaches to other barriers to affirmative action and equal employment opportunity, and would welcome suggestions from the NAPA Study Group on how to improve in this area.

2

PERSONNEL MANAGEMENT OBJECTIVES:

The Agency has set out to develop an integrated human resource management system to include common objectives with respect to compensation, hiring practices, training and career development, resource planning and dual career tracks. The general thrust of our thoughts in this area are documented in the booklet entitled "Preliminary Report - July 1987 Proposed Pay, Personnel Management, and Compensation System" prepared by the Agency Human Resource Modernization and Compensation Task Force (HRM&CTF). While we have since modified several of the specific recommendations contained in the report, our philosophy regarding an integrated personnel system remains unchanged. NAPA has been provided several copies of the report.

CENTRAL MANAGEMENT OBJECTIVES:

The central management objectives outlined in the NAPA questionnaire are certainly fundamental to any rational personnel system. The real issue centers around methods of achieving them. Our philosophy is to work toward increased management flexibility and accountability. Experience has shown that our mission does not lend itself to fully centralized administration and rigid standard solutions to managerial problems. Our managers are required to deal with fast-paced world events and critical issues for which there are no standard solutions. We provide them with broad guidelines and fundamental policies within which they can address their particular human resource needs without breaching accepted principles regarding equity and value. Cost, efficiency, planning and accomplishment of mission are some of the factors that will be assessed during the manager evaluation process. We prefer not to hold our managers accountable for bureaucratic rules imposed upon them, but rather to assess the degree to which they use their authorities to further established Agency goals and principles. This is central to a modern human resource management system, and to the direction we intend to pursue.

Question 2.

It is our understanding the Question 2 has been withdrawn.

Question 3.

The fundamental objectives and principles of our existing compensation system have been stated and published in:

- ° The Central Intelligence Act of 1949 (copies have been provided).

STAT

° CIA Headquarters Regulations, (copies of relevant portions attached).

The fundamental principles and objectives of the proposed compensation system have been published in the "Preliminary Report - July 1987 Proposed Pay, Personnel Management, and Compensation System". Copies have been provided and additional copies are available. Please note that the specific recommendations contained in that report are still under review; however the concepts identified as underlying in our management and compensation philosophy remain valid.

All of the publications mentioned above are available to all Agency employees.

Question 4.

Given the broad nature of occupations within the Intelligence profession, our competition for suitable and qualified applicants runs the full gamut of federal and private sector employers. Following are specific examples of the competition we face with respect to the categories outlined in the NAPA questionnaire:

Other agencies in the Intelligence Community. There is, of course, a universal need within the community for applicants with languages and foreign area knowledge. It is for these applicants that we compete within the community.

Other federal agencies outside the Intelligence Community. Competition with these agencies is less intense since our requirements attract a different pool of applicants.

The Foreign Service. Certainly we and the Foreign Service seek the same general qualifications, educational backgrounds and willingness to live overseas from our applicants. Our differing missions, however, seem to attract applicants with different career interests.

The Military Services. We actively seek applicants with military experience. We therefore compete only to the extent that we offer many veterans an alternative to subsequent tours of military duty.

State and Local Governments. These employers are probably among the least significant of our competitors for applicants.

Corporations and companies of the private sector of the economy. Herein lies our principle source of competition for applicants with engineering and science backgrounds. It is in this arena that

4

qualified applicants can find lucrative salaries and generous benefits which make federal employment pale in comparison. While special pay schedules ameliorate the difference in starting salaries, it is clear that the total compensation potential is far greater in the private sector than in the federal sector.

Academic Institutions. In this case, the prestige and status associated with careers in academe are well established and often appeal to applicants we would seek to fill our analytical positions. Our requirement for anonymity in even our most scholarly pieces of analysis runs counter to the psychological needs of many gifted students. Nonetheless, our mission is attractive to many students with analytical capabilities.

Other entities or organizations. It should be noted here that we compete with all employers for technical, clerical, administrative and secretarial applicants. These occupations are among our most critical shortages and typically have high turnover rates. Our lengthy processing time, coupled with eroding federal benefits place us at a distinct disadvantage for these types of applicants.

We believe the question 4b has been answered in the comments provided above.

With respect to Agency methods for determining pay offered by labor market competitors, we use the following sources:

Available literature in the field of compensation (Quarterly outlook, BLS data, trade journals, etc.)

Contracts with Towers, Perrins Foster and Crosby. We have an ongoing contract with this firm to compare salaries as well as total compensation packages against which we compete in general, and for specific occupations.

Cost-of-living data is provided through a contract with Runzheimer International.

Data is collected and analyzed from exit interviews with employees who are resigning.

5